GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0333	**Title:**	Fund geothermal research and development
Primary Sponsor:	Noonan, Pat	**Status:**	As Amended

☐ Significant Local Gov Impact ☐ Needs to be included in HB 2 ☑ Technical Concerns

☐ Included in the Executive Budget ☐ Significant Long-Term Impacts ☑ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
Other	$1,300,000	$1,300,000	$1,300,000	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: An act allowing the Montana Bureau of Mines and Geology (MBMG) to conduct geothermal research.

FISCAL ANALYSIS

Assumptions:

1. The geothermal research is contingent upon funding from private donations, federal grants or possible state sources appropriated to the (MBMG). MBMG does not have funding in its existing budget to implement geothermal research as stated in HB 333.
2. One geothermal research project, encompassing multiple sites, could be conducted in FY 2010 through FY 2012. The project would be completed by September 30, 2012.
3. It is unknown whether a utility with a service area nearest the research site intends to develop the site for future commercial use and if the utility would contribute, at minimum 25% of the research costs. For purposes of this fiscal note, it is assumed there would not be any contributions from a utility.

4. 1.00 FTE researcher would be required at an annual salary cost $60,000. Associated benefits would cost $21,000 for total personal services of $81,000 per year.
5. Travel and lab costs are estimated to be $19,000 per year.
6. $200,000 is projected for geophysical exploration that would provide surface geophysical surveys to delineate the target before drilling.
7. Drilling equipment used must be capable of handling depth and safety requirements, and may be brought in from out-of-state. Drilling costs are dependent on well depth, and are estimated to average at least $500,000 per hole. It is assumed that a minimum of six holes ($500,000 x 6 = $3,000,000) would be needed for evaluation of one or more sites per project. Mobilization costs dictate that drilling be planned so that all wells can be drilled in sequence, without multiple mobilizations, rather than being spread over several years.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
FTE	1.00	1.00	1.00	0.00
Expenditures:				
Personal Services	$81,000	$81,000	$81,000	$0
Operating Expenses	$1,219,000	$1,219,000	$1,219,000	$0
TOTAL Expenditures	$1,300,000	$1,300,000	$1,300,000	$0
Funding of Expenditures:				
Other	$1,300,000	$1,300,000	$1,300,000	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
Other	($1,300,000)	($1,300,000)	($1,300,000)	$0

Technical Notes:

1. If the MBMG were to receive federal grant funding, and to account for that grant funding consistently with other MBMG grants, these grants should be recorded in the current restricted fund.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*